



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 30, 2007

H.R. 2705 **Compacts of Free Association Amendments Act of 2007**

As approved by the House Committee on Foreign Affairs on October 23, 2007

H.R. 2705 would amend the Compact of Free Association Amendments Act of 2003. It would cancel a \$3 million payment Palau owes to the federal government if Palau deposits \$3 million into a trust fund controlled by the Republic of Palau, and would direct the use of certain unobligated balances of the U.S. Agency for International Development (USAID) and the Federal Emergency Management Agency (FEMA) to provide emergency and disaster services to the Federated States of Micronesia and the Republic of the Marshall Islands.

Based on information from the Department of the Interior (DOI), CBO estimates that canceling the \$3 million payment would result in a loss of offsetting receipts (a credit against direct spending) of \$3 million in fiscal year 2008. In addition, directing the use of unobligated balances of USAID and FEMA would modify the expected spending patterns for those funds. Based on information from DOI, CBO estimates that this provision would increase federal spending by \$2 million in 2008 and by about \$200,000 annually in each subsequent year. Thus, CBO estimates that enacting H.R. 2705 would cost \$5 million in 2008, \$6 million over the 2008-2012 period, and \$7 million over the 2008-2017 period. Those amounts would be considered direct spending. Enacting the legislation would not affect revenues.

H.R. 2705 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On February 12, 2007, CBO provided a cost estimate for S. 283, the Compacts of Free Association Amendments Act of 2007, as ordered reported by the Senate Committee on Energy and Natural Resources on January 31, 2007. The bills are similar in that they would both amend the Compacts of Free Association, but the Senate bill does not contain provisions regarding the use of unobligated balances. The cost estimates reflect those differences.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.